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Benjamin M. Blau

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# Does Religiosity Affect Liquidity in Financial Markets?

Benjamin M. Blau<sup>a</sup>

## Abstract:

A growing body of research shows that religious culture can influence both macroeconomic and firm-specific outcomes. In this study, we examine how religiosity influences the liquidity of cross-listed stocks. These tests are important given the literature that shows that firms choose (in part) to cross-list their securities in order to access greater liquidity, which can reduce firms' costs of capital. Using an instrumental variable approach, results show that religiosity directly influences the liquidity of cross-listed securities. This link might best be explained by a growing body of research that suggests that religiosity is directly associated with the ethical behavior of firm managers. To the extent that this association exists, the liquidity provider's cost of holding a risky inventory of shares might be lower, thus resulting in an overall improvement in liquidity.

<sup>a</sup>Blau is a Professor in the Department of Economics and Finance at the Jon M. Huntsman School of Business at Utah State University, Logan, Utah 84322. Email: ben.blau@usu.edu. Phone: 435-797-2340.

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